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Chaplin, Henry

Land & money: the chief
cause of agricultural...

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No. 13

LAND & MONEY.

THE
CHIEF CAUSE OF AGRICULTURAL DEPRESSION.

BY
The Right Hon. HENRY CHAPLIN, M.P.

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Fall in prices
cause of de-
pression.

1. The cause of agricultural depression is chiefly to be found in the heavy fall which has occurred in recent years, and which is still progressing in the prices of agricultural produce of almost every description, and so long as this decline in prices is continued, any real and permanent return of agricultural prosperity is practically hopeless.

Monetary
changes and
abandonment
of Bimetallic
System in
1873-4.

2. This continued drop in prices has been consequent upon, and is mainly due to, the great monetary changes on the Continent and in the United States of America about 20 years ago, which resulted in the abandonment of the bimetallic system, under the full effects of which the entire business of this country and the world was carried on prior to 1873.

Chief cause of
present fall in
prices.

What Bimetal-
lism was.

3. At present the law provides that if you take gold to the English mint, they are bound to receive it in any quantity, and return it to you coined at the rate or price of £3 17s. 10½d. per ounce. It then becomes legal tender money, that is to say, money with which you can legally discharge your debts. Well, if the mint was also bound by law to take silver in precisely the same way, and return it to you coined at a fixed rate or price, say 2s. 6d. or 3s., or any other price that might be fixed per ounce, and if it became likewise legal tender money in which you could pay debts, that would be bimetallicism, and the volume of money in the world would be increased in proportion.

Universal
effect of the
Bimetallic
Law.

4. That is exactly what the law was in France and in half-a-dozen other countries on the Continent, as well as in the United States of America, prior to 1873; the rate at which silver was coined was fixed at that time at about 5s. an ounce, which made the ratio between the metals about 15½ to 1; and although the law was limited to the countries referred to, it had the effect of making the system operative, and maintaining the ratio of 15½ to 1 throughout the world.

Wide and
general de-
pression since
it was aban-
doned.

5. This system was only abandoned at the date named. And it certainly is a striking and remarkable coincidence that ever since the change began to take effect a few years after it was made, we have been passing through a period

of prolonged and unexampled depression in agriculture, and in almost every other industry, both in this and every other gold-using country in the world, for which no one has been able to point to any other adequate or sufficient cause.

If, now, the charge began

6. The change began by the attempt of Germany, who up till then had had a silver standard, to convert it into a gold one. She was tempted to do this by the opportunity which was afforded by the payment to her of the War Indemnity by France, amounting to 200 millions sterling after the Franco-Prussian War.

The mistake of Germany.

7. It is certain that this action on the part of Germany was taken without the least perception of the consequences which it would entail, and there is reason to believe that the authors of that change have regretted it ever since; as a matter of fact a Royal Commission was appointed in Germany last year, for the purpose of considering whether any measures could be taken to repair the mischiefs which have been consequent upon these changes.

Wheat Bimetallism actually ceased.

8. Following upon the action of Germany, the mints of all the countries mentioned in Section 4 were closed to the free coinage of silver in either 1873 or the beginning of 1874. Silver lost the position which, up till then, it had occupied in conjunction with gold; it was deprived of the right of free coinage, and bimetallism from that moment ceased to exist.

Results of the change.

9. Two results of capital importance to Agriculture have followed upon this Monetary Revolution:—

- (1) The appreciation of gold.
- (2) A divergence in the old relative value of the metals.

10. The explanation of the first result is this:—Gold and silver combined, both of them being used as standard money up till 1873, were "the measure of value" until that date. Since 1873, that function has devolved on gold alone.

1. Appreciation of gold.

The measure of value being thus contracted, the prices of all things measured by it have contracted also; and prices generally are upon a lower level than they were. In other words—the purchasing power of gold has increased, which is only another form of expression for the appreciation of that metal.

2. Divergence in the old value of the metals.

11. Gold having appreciated, while silver has remained stationary, the consequence has been the second result referred to, viz., a divergence in the old relative value of the metals.*

12. This divergence in the old relative value of the

* (a) It is alleged that silver has remained stationary, because in countries with a silver standard, like India for instance, until the closing of the mints, there had practically been no change in prices, i.e., the purchasing power

How the price of wheat is affected by the divergence.

metals has steadily widened since then until the ratio between gold and silver to-day is something like thirty to one instead of fifteen and a-half to one, which it used to be before. It is this divergence which explains the fact that the producer in certain silver-using countries is able to send wheat to England at a profit, at a price of 19s. or 20s. a quarter, or even less.

The way in which it operates will be seen at once.

A sovereign will exchange to-day for 20 rupees where formerly it exchanged for 10, because the rupee, roughly speaking, has fallen from 2s. to 1s. The consequence is, that although the gold price of wheat in England has fallen from £2 to £1, the Indian grower is still getting 20 rupees a quarter for his wheat. Silver prices in India have not changed. His 20 rupees will buy for him in India as much of everything as they bought before, and he is thus enabled to take a gold price for his wheat, which means ruin to the English grower, but which makes no change in his position.

It is artificially depressed by a "Currency Juggle."

13. The same thing holds good with regard to wheat from Argentina, with this difference, that the Currency in Argentina is Depreciated Paper, instead of Depreciated Silver.

It is in reality, by this "Currency Juggle," that the market price of wheat is being abnormally and artificially depressed, in countries with a gold standard like England.

Neither Free Trade, nor facilities for Transport sufficient to account for Fall alone.

14. It is an error to attribute the fall in prices to nothing but Free Trade, increased facilities for transport, and over-production. Foreign countries with heavy Protective Duties are suffering as much as, or more than, we are from agricultural depression; while facilities for transport have always been steadily increasing since the great discoveries of science 40 or 50 years ago. And they are not sufficient in themselves to account for the abnormal fall in prices which has been apparent since the "Monetary changes" began to take effect, and only since that time.

Nor overproduction.

15. Neither is it due to nothing but over-production. That argument is answered by the figures published in the Corn Trade Year Book, 1894, which is probably on this point the best authority we have. According to their figures in 1891, the world's wheat crop was 307,000,000 qrs., and in that year the average price was 37s. per qr. In 1892 the crop was 305,000,000 qrs., and the average price 30s. 3d. In 1893 the crop was 307,000,000, the same as in 1891, but the price had fallen again to 26s. 4d.

In 1892, according to these figures, we have with a smaller crop than that of 1891 a fall in price of 18 per

of silver had remained the same. (See Sec. 52, Part 1, Final Report of Gold and Silver Commission, signed by all the Commissioners.)

(b) With regard to the divergence in the metals since the Monetary Revolution, it is worthy of note that the variations in the amount of the metals produced have been infinitely less since 1873, than they were during the years before that date, when the ratio was steadily maintained.

cent. In 1893, with the same production as in 1891, a fall of 29 per cent. as compared with 1891.

All this time the population of the world and the demand for wheat was steadily growing greater.

16. The same authority also shows that in the period 1875-84 the population of the chief wheat-producing countries was 397 millions, and the production of rye and wheat in those countries per head of the population was 7.08 bushels.

In the next period of ten years, 1885-94, with an increased population of 434 millions, the production of both these crops per head of the population was actually less, viz., 6.84 bushels.

The Unprecedented Fall in Prices is really due to a change in the value of money.

17. The more you sift, and the more closely you examine into, this question, you will find that there is only one thing which is able to sufficiently account for the enormous and unprecedented change which has occurred in prices during the last 15 or 20 years; and that is the change which has occurred, not in production, nor in commodities, but in the value of money itself, and which is really due to the great monetary revolution which occurred some 20 years ago.

The remedy is to go back to Bimetallism.

18. The remedy, therefore, is simply to revert to the system which prevailed prior to 1873. For this purpose an international arrangement would be necessary.

European Powers would be willing if England agreed.

19. There is every reason to believe that the Leading Powers would be willing to join in any arrangement for this purpose to which England would agree. A careful perusal of the *Proceedings of the Conference at Brussels* in 1892-3 makes this apparent, and it also discloses the fact that the abortive results of that Conference were very largely, if not entirely, due to the attitude of some of the Representatives of England.*

England alone is the great impediment.

20. So important is the subject in the view of the President of the United States that he has asked and has obtained from Congress general powers to summon another International Conference whenever he pleases; it is certain that England is the great and probably the only impediment at present to this great reform; it is in England that we shall have to overcome the opposition; and it is a matter of supreme importance that agriculturists, to whom this question is of vital interest, should endeavour to make themselves acquainted with it, and press it upon the attention of Parliament.

* See International Monetary Conference, Brussels, 1892. Parliamentary Paper (C 6885), price 2s. 6d.

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